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State Of Indiana
Department of Environmental Management
Office Of Air Management

October 30, 2000

Ms. Janet McCabe
Assistant Commissioner
Office of Air Management
Indiana Department of Environmental Management
100 North Senate Avenue
Post Office Box 6015
Indianapolis, Indiana 46206-6015

**Re: Indiana-Kentucky Electric Corporation
Comments on Indiana's Response to EPA NO_x SIP Call**

Dear Janet:

On behalf of Indiana-Kentucky Electric Corporation ("IKEC"), this letter provides the following comments regarding the above-referenced rule. IKEC fully supports the comments submitted separately by the IEUAWG, but provides these additional points of emphasis.

1. **IKEC requests that IDEM work with the United States Environmental Protection Agency ("EPA") to eliminate EPA's Section 126 Rule.** EPA's Section 126 Rule applies to several emission sources in Indiana. Its goal is to help certain areas in the northeastern states achieve compliance with the one-hour ozone standard. Throughout the development of that rule, EPA has repeatedly stated that it would become null and void if states developed acceptable responses to EPA's NO_x SIP Call.

IKEC requests that IDEM seek a formal confirmation that the Section 126 Rule will become null and void for Indiana sources once IDEM's SIP Call Rule is approved. Otherwise, substantial confusion and difficulties will result. The two programs establish different allowance allocations, different trading programs, have conflicting provisions, apply to different sources, treat early reductions differently, etc. It would be impossible for subject sources to properly comply with these conflicting rules. Since these rules are designed to achieve the same goal, IKEC requests that IDEM ask EPA to honor its previous commitments and cause the Section 126 Rule to become null and void once IDEM's SIP Call Rule is approved. IKEC believes Ohio EPA is seeking this same confirmation from federal EPA.

2. **IKEC requests that IDEM consider implementing an additional “early reduction program” for the period May 1-May 30, 2004, along the lines being proposed by Ohio EPA.** Ohio EPA has indicated that it intends to distribute a block of additional allowances in 2004 equal to one fifth of the total actual EGU NO_x emissions that would occur during the ozone control period (May 1 through September 30). This block of additional allowances will be equivalent to the total actual EGU NO_x emissions that would occur between May 1 and May 30, 2004. These allowances will be in addition to the allowances issued under the budget for the period May 31 through September 30, 2004. Under this approach, affected EGUs in Ohio will be required to report NO_x emissions for the entire ozone control period (May 1 through September 30) during 2004, even though the D.C. Circuit Court adjusted the compliance date for the NO_x SIP call to May 31, 2004. If an affected EGU elects to control NO_x emissions during the entire ozone control period (May 1 through September 30) in 2004 and not exceed allowances received under the state budget, the EGU will be able to bank the additional allowances for future unrestricted use or sale. If an affected EGU elects not to control during the period May 1 through May 30, 2004, the EGU still has to report these emissions and the additional allowances issued from this additional block of allowances will be used to cover the emissions for this period (May 1 through May 31, 2004).

IDEM should pursue this concept because it will allow more flexibility for regulated entities and will not cause increases in emissions. No additional allowances are created over-and-above the state budget because the additional allowances that are made available to the affected EGUs during 2004 are equal to the NO_x emissions that would have actually been emitted by the affected EGUs if they did not elect to control between May 1 and May 31. These additional allowances would be separate from and in addition to the allowances in the compliance supplement pool.

IKEC believes that Ohio EPA will treat these allowances as having no expiration date, and that they will not be counted toward flow control considerations. IKEC requests that IDEM include these characteristics in connection with allowances generated under this proposed program.

3. **IKEC fully supports the inclusion of the Alternative Compliance Program proposed by AEP and designed to foster innovative technologies for multi-pollutant controls.**

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Thank you for the opportunity to submit these comments. If you have any questions or need further information, please call.

Sincerely,

A handwritten signature in cursive script that reads "Tony Sullivan".

Anthony C. Sullivan

ACS:naw

Via Telecopy

cc: Mr. Roger Letterman (***Via Telecopy***)
Mr. Donald T. Fulkerson

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